



Minutes City Council Issue Review Session April 17, 2008

Minutes of the Tempe City Council Issue Review Session held on Thursday, April 17, 2008, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Vice Mayor Hut Hutson
Councilmember P. Ben Arredondo
Councilmember Barbara J. Carter
Councilmember Shana Ellis
Councilmember Mark W. Mitchell
Councilmember Onnie Shekerjian

Mayor Hallman called the meeting to order at 6:08 p.m.

Call to the Audience

No one came forward to speak.

Graffiti Abatement and Prevention Program

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenters: Deputy Public Works Manager John Osgood; Police Cmdr John Dorsey; Deputy Manager – Parks Sam Thompson

Police Cmdr John Dorsey provided current and proposed efforts to abate and prevent graffiti.

- Enhance Interdepartmental working relationship with Public Works to share potential graffiti locations to assist with enforcement.
- Work with School Resource Officers to discuss graffiti prevention with the students.
- Continue graffiti education discussions by the Crime Prevention Unit at neighborhood meetings.
- Communication by the City Manager to all employees encouraging reporting of graffiti.
- Water bill mailer is being prepared to provide Graffiti Hotline information.
- Graffiti Hotline was recently updated to be more informative and clear.
- Distribute educational material to retail stores noting that selling spray paint and other things used for graffiti to anyone under age 18 is a crime.

- Rewriting of the ordinance has begun to allow Public Works authority to clean up the graffiti in a more timely manner and also provide the authority to access public rights-of-way and vacant lots to clean up graffiti.

John Osgood highlighted Public Works' abatement activity.

- Hotline on the website is checked daily and most graffiti complaints are cleared within 48 hours.
- This is an interdepartmental effort involving Streets, Traffic Operations, Solid Waste, Parks Maintenance, the Downtown Tempe Community (DTC), Development Services for private sector problems, and the Police Department.
- Over the last six weeks, the weekend abatement program has been mobilized so that the Traffic Operations Division focuses on the arterial streets and removes anything in the public right-of-way and public property, as well as reporting graffiti on private property.
- Communication and coordination efforts with our utility companies has been strengthened, i.e. control boxes. They have been asked to remove graffiti within 48 hours or sooner if it is near schools or of a sensitive nature.
- Volunteer efforts are being re-invigorated. The Arizona Chapter of American Public Works Association has offered a volunteer opportunity for members. Saturday, April 26th, those volunteers will be here to offer their help.
- Volunteer coordination is being examined to see how best to utilize volunteers.
- Ordinance will be examined for Attorney review to make sure that tool is as flexible as it needs to be.

Councilmember Carter asked about the sale of spray paint.

Cmdr Dorsey responded that they will make sure that law is being enforced.

Councilmember Arredondo stated that graffiti will be one of the City's number one problems. He proposed that Council direct the City Manager to look at the vehicles used in other cities that can mix paint and respond quickly. If the City purchased two of these trucks, it would allow speedier response. The price is about \$85K per truck.

Mayor Hallman stated that he had talked to Glenn Kephart, and in the operating budget there is funding for one such vehicle, but graffiti will be an increasing problem. Because the CIP is on this agenda tonight, he suggested that Council include approximately \$200K in resources designated to the Public Works budget so the department is in a position to acquire the equipment to get on top of this problem. Currently we are constrained from having the ability to immediately remove graffiti in the alleys. He asked if staff is looking at ways to shorten the period of time in certain areas where we could get to graffiti without facing the consequence of someone complaining that we have painted the back of their fence facing the alley the wrong color.

Mr. Osgood responded that in alleys, the standard operating procedure has been if the graffiti can be reached from public property, staff has done that. Technically, an alley wall is part of the private property. Our graffiti hotline message states that if there is graffiti on the back of a fence, the best way from the community's standpoint to handle that is to go out and remove it immediately. If people can do that, the City will help with donated paint and help with removing it. If it is on a wall that someone has control over, they can remove it

without reporting it. In an area of a high school, for example, where there's a collector street and the graffiti is on a side wall is very visible, the ordinance specifies that the City would do a notice of violation for the code which gives the property owner 10 days to remove it. Staff is looking at situations where it is in the public's interest to get it off quicker.

Mayor Hallman added that there is a concern that if someone has an unpainted block fence, painting over it would make a worse look of deterioration than if we took the time to have it removed using soda blasting. He asked if that is that something we should be looking into.

Mr. Osgood responded that it is, and, by this discussion, staff now has a lot to work with. The equipment, the removal strategies, spray-painting, matching paint are all things that staff will be looking at. The staffing part can be handled by re-prioritizing some things.

Mayor Hallman asked if there are currently people deployed to deal with graffiti.

Mr. Osgood responded that internally, they will make some changes so that the rest of the work gets done, but tools and equipment are not staffing, and those are the kinds of things they need now.

Councilmember Arredondo added that for the response time, the equipment is essential. It is vital to stay on top of it.

Councilmember Shekerjian agreed. Not long ago there was a rash of graffiti in the southern part of the City, and she surprised with how quickly the removal took place.

Councilmember Carter added that staff is doing a great job getting it removed after it's up. She is interested in getting information out to residents to stop it. That involves dealing with the retail stores and putting information in the water bill. Citizens are taking the time to report the graffiti. Let's take time to report the retailer who doesn't have the spray paint locked up in the first place.

CONSENSUS

- Include \$200K resources in CIP to purchase equipment to fight graffiti.
- Distribute notices to residents.

Follow-up Responsibility: John Osgood

Interdepartmental Tracking Process of Citizen Concerns

INFORMATIONAL BACKGROUND available in City Clerk's Office.

Mayor Hallman stated that this item was put on the agenda for referral to the Education, Technology & Economic Development Committee. This was about Community Relations being able to work interdepartmentally to create a strategy that would track and identify how we are doing that based on other information. Staff's memo stated that the Police Department is also looking at a citywide neighborhood response team and it would be important that two committees handle that.

Shelley Hearn added that the plan was to utilize the technology, go through the team to develop it, and take the whole process to the Public Safety and Neighborhood Quality of Life Committee to see how it can be utilized to reach out through all the departments.

Mayor Hallman clarified that it would start with the technology and work on a Community Relations approach through the Education, Technology & Economic Development Committee and when that's put together, then work through the Public Safety & Neighborhood Quality of Life Committee.

CONSENSUS

Referred to Council's Education, Technology & Economic Development Committee in conjunction with Council's Public Safety & Neighborhood Quality of Life Committee.

Follow-up Responsibility: Shelley Hearn, Shauna Warner

July Council Meeting Schedule

INFORMATIONAL BACKGROUND

Mayor Hallman stated that under City charter, the swearing-in of the new Mayor and Council takes place at the first meeting in July. Currently, the first meeting is July 17th, and that is the only meeting in July. The proposals are to:

- Hold the swearing-in ceremony at the Tempe Center for the Arts at 3 p.m. prior to the Council meeting, with a reception immediately following, and then return to the Council Chambers for the meeting.
- Hold the swearing-in ceremony at the July 17th meeting in place of the IRS in the Council Chambers with a limited agenda. The reception would take place immediately following at an undetermined location. Schedule a second July Council meeting to accommodate the priority agenda items not covered.

Councilmember Shekerjian stated that holding the swearing-in ceremony in the afternoon might prevent family members from attending.

Councilmember Arredondo agreed that the swearing-in ceremony is a time for families.

Mayor Hallman summarized that the options would be a meeting on July 3rd or July 10th for the swearing-in.

Councilmember Mitchell suggested having the swearing-in on July 17th, and scheduling a meeting for July 24th for the bulk of the agenda.

Mayor Hallman stated that he would not be present on July 24th, but it could be held on a different night that week. If the swearing-in ceremony were combined with a full meeting, it would be a long meeting.

Andrew Ching clarified that the charter specifies that the swearing-in must be at the first regular meeting in July.

Mayor Hallman suggested having the swearing-in on July 17th, with a limited Formal agenda meeting, and then adding a meeting on Tuesday, July 22nd, to handle a full agenda.

Ms. Hearn stated that at the previous swearing-in, there was a very brief Formal agenda following, with no IRS or E-Session.

CONSENSUS

- Swearing-in Ceremony at Council meeting on July 17th with a limited formal meeting agenda with a reception immediately following.
- Full Council (IRS, Formal) meeting schedule on July 22nd.

Follow-up Responsibility: Jan Hort, Shelley Hearn

Proposed Five-Year Capital Improvements Program

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Financial Services Manager Jerry Hart

Jerry Hart summarized that the packet for tonight represents the remaining program reformatted to Council's direction from the last meeting. Staff has combined the sources as well as the total project cost for each project and has added the following projects per Council direction:

- Page 3: Cellular Phone Tracking System for \$362,600
- Page 6: Closeout of Building Plan Archive (Development Services) for \$150,000
- Page 6: Microbial Remediation (Public Works) for \$150,000
- Page 8: First Street Relocation and Alignment Feasibility Study for \$100,000

Mayor Hallman clarified that these projects were added from the unfunded list for a total of \$762,600. Based on earlier discussion, there was also consensus to add \$200,000 into the Public Works Department budget to acquire the appropriate equipment necessary to attend to graffiti removal. This would adjust the total projects added to \$962,600.

Mayor Hallman noted that page 1, Town Lake Rubber Dam Replacement, shows an estimate of \$22M. It was at about \$15M the last time Council discussed this.

City Manager Charlie Meyer responded that the original estimate was based on a more simple replacement of the bladders. The Bridgestone Company has notified the City that they are no longer fabricating the type of bladders originally installed and other alternatives are now being considered. \$15M would not be sufficient for the options being considered, and \$22M is still an estimate.

Mayor Hallman asked how the cost to rebuild and replace Fire Station #2 is \$8.2M, but the cost of a new station the southeast quadrant is only \$4M.

Fire Chief Cliff Jones responded that the primary differences in the Station #2 and Station #7 projects are that Station #2 includes not only a larger facility (4-bay station rather than a 3-bay) but a significant amount of space for Special Operations. Special Operations (hazardous materials response) is at Station #2 and space is needed for a van, trailer units, storage and decontamination space.

Mayor Hallman clarified that decontamination space and storage space, other than what is in the vehicle, is being added. The New Support Services Facility for \$8.9M is the maintenance facility for fire equipment currently on Station #2's property. He asked if it is possible to rebuild Station #2 without building the new Support Services Facility.

Chief Jones responded that it would be possible by leasing a facility on an interim basis. To re-do Station #2, both facilities would need to be torn down.

Mayor Hallman clarified that the new Support Services Facility is actually going to be located elsewhere. All of Station #2 will take up the full property where Station #2 and the Support Services Facility are currently located. He asked the City Manager if staff is still examining the possibility of consolidating the new Support Services Facility for Fire with the general maintenance support facility.

Mr. Meyer responded that staff is examining this possibility.

Mayor Hallman noted that the report states the new Support Services Facility would be funded in the next two years, beginning this year and the following year. He asked if drawings have been done.

Chief Jones responded that drawings have not yet been done.

Mayor Hallman asked if was realistic to think the new Support Services Facility would be constructed in the next year.

Chief Jones clarified that part of that \$8.2M includes land cost.

Mayor Hallman asked if that land has been secured.

Chief Jones responded that it has not.

Mayor Hallman clarified that the likelihood of actually going forward on this project in the next year, given the land has not yet been secured, is probably fairly small.

Chief Jones responded that staff has planned to find a facility in that area that could be convert and moved into within a short period of time. That would allow a new Support Services Facility and the ability to move on with demolition and construction of Station #2.

Mayor Hallman clarified that the \$8.9M for the Support Services Facility is for getting the land and building a facility, not for leasing a space.

Mayor Hallman continued with Park Renovation and Restoration, page 9, and noted Diablo Stadium Scoreboard Replacement.

Mark Richwine responded that the City's contract with the Angels calls for the City to provide a first-class major league baseball facility. On an annual basis, the Angels are to provide requests for items that would be considered capital replacements or improvements at the complex. This is a request submitted last year.

Mayor Hallman noted Street Landscaping for \$725K.

Mark Richwine responded that the Parks and Recreation Department is responsible for the right-of-way median maintenance in the City. As part of that program, landscape materials, shrubs, trees, ground covers, as well as the decomposed granite are periodically replaced.

Mayor Hallman asked what amount has been in the CIP for the last five years.

Mark Richwine responded that it has been a similar request. Previously, it would have been part of the Public Works Department.

Mayor Hallman asked staff to find that number.

Councilmember Carter understood from discussion about the Park Renovation and Restoration program last year, that four parks would be included per year. How many parks does this figure represent?

Mark Richwine responded that the figure is representative of three parks per year plus, at the direction of Council at the last meeting, the inclusion of the Clark Park Pool replacement or renovation program.

Mayor Hallman asked if there is sufficient staff to handle four parks per year.

Mark Richwine responded that they do not have sufficient staff for four parks. In the budget request, there is also an appropriation for staffing to handle three parks per year, plus the other programs that are part of the CIP.

Mayor Hallman clarified that, as has happened in prior downturns, the CIP matches what staff is able to do for three parks per year.

Councilmember Arredondo asked for clarification that by moving Clark Park Pool, we still be able to handle three parks per year.

Mr. Richwine clarified that they will continue to do three parks per year. The direction was to include the Clark Park Pool as part of that program. Whatever that total finances in the five-year horizon will be part of the overall five-year park renovation and restoration program.

Councilmember Arredondo clarified that would mean that they could leave one or two parks off.

Mr. Richwine clarified that in the entirety of the program, which is estimated to be somewhere between ten and fifteen years, in the first five years there would be a slide of parks that would otherwise have been done.

Councilmember Arredondo stated that his understanding was that we were going to do three per year for five years. Now, if we slide Clark Park Pool in, as one in the first five years, that means we can't do three in one of those years.

Mr. Richwine clarified that the cost of Clark Park Pool project is unknown, but within the scope of the project of \$42M, they will accomplish as much as they can inclusive of the pool.

Councilmember Arredondo asked if three parks per year will be done.

Mr. Richwine responded that three parks per year will be done as well as Clark Park Pool up until the entire amount being allocated in the CIP is used. They may not be able to do three parks per year in each of the five years.

Mayor Hallman asked how much each park will cost.

Mr. Richwine responded that they vary, predicated on the size of the park. Smaller parks such as Rotary Park and Cole Park that were done a few years ago were far less expensive than Daley Park or Clark Park which are larger parks.

Mayor Hallman clarified that it depends on which parks actually are selected and how much money is designated. In year three, staff may need to come back and ask for more money to continue the program. Rotary Park and Cole Park were put in the budget for rehabilitation in 2001 and money was originally designated out of the transit program. Council had then designated to do two parks per year. Why did that program stop?

Mr. Richwine responded that the park renovation program that was submitted was never funded.

Mayor Hallman clarified that it became unfunded after Rotary and Cole Parks were done.

Mr. Richwine clarified that Rotary and Cole Parks were done out of the transit fund and were finished in 2004 in conjunction with the completion of the Country Club Bridge.

Mayor Hallman clarified that the money was designated in 2001/2002. It was in 2003/2004 that the rehabilitation program was unfunded.

Mr. Richwine agreed. The only projects that were funded in the renovation program were Cole and Rotary Parks in conjunction with the transit fund.

Mayor Hallman added that once those were going forward, the budget disappeared for parks rehabilitation.

Mr. Richwine agreed. No funding was ever approved within the Parks program that wasn't through transit dollars.

Mayor Hallman stated that he was told that the transit dollars got taken back.

Mr. Richwine clarified that those two parks had to be augmented with additional funding.

Mayor Hallman asked for clarification that the transit money got taken back.

Mr. Richwine clarified that it paid toward the amount that Council authorized, \$1.2M. He believed the transit contribution was \$750K total.

Mr. Meyer stated that staff might not be able to answer the question about the level of funding on the street landscaping. In the prior year, 2007/2008, the funding was at \$250K. When street landscaping was under Public Works before the split, Mr. Kephart doesn't remember any significant variance, but we would have to return to the office and look up the accounts to answer that question.

Mayor Hallman noted City Facilities Rehabilitation under Public Works. He noted this is a fairly general entry at \$500K per year. What is the past experience for years of downturn.

Glenn Kephart responded that this is a fund used for the CIP so it carries over. There's approximately \$100K in the fund balance at the end of the year. Historically, they have been funding this at the level it takes to basically maintain the 96 facilities. What they do have in this budget is a facilities maintenance master plan that will allow staff to tie these funds to specific future needs so it won't be simply a "plug" number in future years. The \$500K historically is what is required to keep the facilities in good working order.

Mayor Hallman asked if this is reflective of the kind of funding in other eras of economic downturn.

Mr. Kephart responded that in other eras of downturn they have been able to maintain this fund because there are not many options when facilities need repair. One year, they unfunded years four and five, but they always maintained the funding needed for expenditure.

Mayor Hallman clarified that in prior downturn years, years three, four and five have been taken out which would be \$1.5M.

Mr. Kephart thought it was in the last two years that were cut back with the understanding that they would be funded in the upturn. Not funding would not be an option.

Mayor Hallman asked about City Hall / Municipal Complex Rehabilitation.

Mr. Kephart explained that represents a study of the Municipal Complex for a determination consistent with the

facilities maintenance master plan. This building is 30 years old and is getting to the point where things need to be done. This would identify the needs over the next five years and then prioritize a plan based on most critical needs and a strategic plan could be used in next year's budget.

Mayor Hallman noted New Signals / Modular Upgrade for \$600K per year. This is for installation of new traffic signals at Priest and Broadway, Hayden Ferry and Rio Salado, and Elliot and Mill.

Mr. Kephart stated that this is tied to the actual program with some flexibility for signals that will be replaced in the next year. As the community continues to grow, there are requests to evaluate intersections based on needs and the number of signals increase. Staff feels the amount was reasonable based on what we know and what would provide some flexibility in the program, but staff could return with a complete list.

Mayor Hallman asked about Utility Undergrounding. If this any part of our obligation for the undergrounding along the 101 Freeway?

Mr. Kephart responded that this is separate.

Andy Goh responded that for the first two years it is to complete the undergrounding of the power lines along Farmer Avenue from First Street to St. Luke's Hospital.

Mayor Hallman clarified that the rest of it are "plug" numbers to estimate future possibilities and that it doesn't include anything on Rural Road from Guadalupe to the south.

Mr. Goh responded that would be SRP.

Mayor Hallman asked if there is anything pressing that would require the expenditure of \$1.25M in years three, four and five.

Mr. Goh responded that staff has a priority list they would like to complete. Beyond the undergrounding along Farmer Avenue to St. Luke's Hospital, the priority list would govern years three, four and five.

Mayor Hallman clarified that if other ways were found to fund those projects, they wouldn't need to be done through CIP.

Mayor Hallman summarized that with the addition of these projects and the \$200K added to Public Works, \$962,600 has been added.

Councilmember Arredondo questioned in regards to the Fire burn building, if it would be better to pay now or pay more later. He recalled that it was \$10K request per year for a number of years.

Mayor Hallman clarified that the burn building was \$500K in year 2011/2012.

Chief Jones clarified that it is \$500K in an out-year. The burn building at this time is in reasonable condition and

is very usable. They are trying to forecast as accurately as possible when replacement and enlargement of that building will be necessary. It is currently 15 years old.

Mayor Hallman asked if Councilmember Arredondo suggests adding this to the CIP list.

Councilmember Arredondo responded that he was concerned about coming up with the \$500K at that time when it might be better to start now.

Mayor Hallman clarified that either way, it is in the five-year CIP, so if we are looking at a \$500K expenditure to add, it would bring our additions to \$1.462M.

Councilmember Carter asked whether other municipalities train there as well.

Chief Jones responded that they share facilities valleywide. They don't share in the expense because we train at their facilities as well.

CONSENSUS: There was consensus to add the burn building replacement to the CIP.

Mayor Hallman continued that \$1.462M has been added to the concept proposals, but that wouldn't change the bond concept proposed because staff, in the original assessment, had \$7.7M in additional excess funding that would come from a bond of \$133M funded by \$1.40.

Mr. Hart agreed, but with the projects that were added, there would be a question whether or not to actually use bond funding or use other existing sources.

Mayor Hallman noted that the spreadsheet shows \$12.5M left from the Rio East funds, and \$7.7M in bonding, for a total of \$21M and the additions don't really affect the conclusions proposed for a bond election.

Councilmember Ellis understood that there isn't enough information available for inclusion of the Vihel Center.

Mayor Hallman added that Tom Canasi was going to look at repairing the facility for \$6M or tearing it down and starting over and looking at the entire facility needs to see whether moving employees from expensive office space into a City- owned facility might save enough money to pay for it.

Tom Canasi clarified that if the City is going to invest in that campus additionally, and the City has requirements for additional space needs, it may be an opportunity to build a second floor on that facility and address numerous needs simultaneously that could help offset bonding.

Mayor Hallman asked staff to take a space plan approach to address needs and figure out how we can start to cost-effectively address those needs.

Mayor Hallman summarized that a bond election was done in 2006 that brought what we hoped would be a four-year carry-out, but staff is proposing a bond election.

Mr. Hart summarized four options:

- Option 1 – November 2008 Election
 - Assumes a request for voter authorization for GO Bonds that would fully fund the needs of this 5-year plan.
- Option 2 – November 2008 Election
 - Funds the full needs of this program, except that the Water/Wastewater piece would be pulled out and entirely funded with excise tax bond financing. That would have the effect of lowering the amount of the bond authorization request.
- Option 3 – November 2008 Election
 - A November 2008 election for a portion of the needs to fund this 5-year program, but the balance of the need would be fulfilled in a proposed November 2010 supplement bond election.
- Option 4 – November 2009 Election
 - Defers any bond election until 2009, seeking bonding to fund this plan.

Mayor Hallman asked, regarding Option 4, how the first year of the CIP would be paid.

Mr. Hart responded that under Option 4, it would be necessary to consider the use of existing cash resources to fund the needs that have been identified in the 5-year plan through FY 2009/2010. Staff looked at all of the project expenditure needs and assessed how much current remaining authorization would help fund those needs through FY 2010/2011 and then wherever the shortfalls were, use cash to fund that. Even with that, it would still require the need to delay the Fire Support Services Facility and Fire Station #2 until FY 2010/2011, as well as delaying start of a portion of the Parks Renovation Program.

Councilmember Ellis expressed a concern that since this is a Presidential Election, there will undoubtedly be more people voting on bond issues than normal, and she asked if this has occurred before.

Mr. Hart responded that this has not occurred before. Up until a change by the legislature last year, all bond elections were held in May as part of the City's general election.

Mayor Hallman clarified that it was staff's recommendation that we pursue Option 1 which is going forward with authorization for water/sewer improvements and the five-year CIP.

Mr. Hart clarified that staff did not make a particular recommendation.

Mayor Hallman asked for staff's recommendation for funding the five-year plan.

Mr. Hart responded that staff had attempted to show different alternatives for funding the program and brought multiple options for consideration. In the first memo, only one option was presented, and then through

subsequent discussions with the City Manager, it was determined to outline a full range of options.

Mayor Hallman asked for staff's current recommendation.

Mr. Meyer responded that staff does not have a specific recommendation. The set of projects is clearly the recommendation of staff and Council has discussed those projects. For example, staff was not looking at any of the water and sewer projects to be funded by any means other than a full general obligation bond. As they got into it, they started to evaluate whether or not that was really necessary. It clearly appears as though there are options to fund the water and sewer projects through excise tax bonds. He didn't know if staff would be ready to recommend that 100% of those projects be funded with excise tax bonds just yet. That is something Council would need to discuss. We have the capacity to do it, but if we do that, we have to have in effect collateral, which is the excise taxes derived from sales tax. Our coverage ratio would drop a lot if we were to fund 100% of the water and sewer project with excise tax. If, on the other hand, we funded onto some portion of excise tax a large portion of it, we could probably still keep the coverage ratio to collateral and feel comfortable. It is possible to do 100%, however, as laid out in Option 2.

Councilmember Carter stated that Option 2 and Option 3 come in November 2008. Would those be separate questions listed on the ballot?

Mayor Hallman clarified that in the last election, the water and sewer improvements were one item, the law enforcement was another, the fire items were another, the parks improvements were another, and the Community Services items were a fifth.

Councilmember Carter asked if water would be completely separate.

Mr. Hart responded that water and sewer would be a completely separate request.

Councilmember Arredondo stated his preference was to wait until the next meeting for staff to come back with a recommendation and allow Council to have the time to interact with staff to find out what we want.

Mayor Hallman stated that the two questions to address are: how to fund the CIP (the rate of tax), and the rate of tax. One way to fund it is through bonding and through the property tax. This has assumed all along \$1.40 property tax rate which generates \$133M in new bonding, and there would be about \$20M of extra money (\$12.5M in the East Rio funds and \$7.7M) in the excess bond money that would be generated by \$1.40.

Councilmember Arredondo agreed with \$1.40.

Councilmember Mitchell agreed with \$1.40.

Councilmember Ellis agreed with \$1.40

Councilmember Carter agreed with \$1.40

Vice Mayor Hutson suggested \$1.35.

Councilmember Shekerjian suggested \$1.30 or \$1.35

Mayor Hallman stated that he would recommend \$1.235.

Vice Mayor Hutson asked with the \$12M of tax money already collected, by November if there is an election, it will be \$17M.

Mayor Hallman asked by June 30th how much excess secondary property tax will there be over and above the amount needed for an 8% reserve and all of the bonds currently outstanding and all the bonds currently authorized.

Mr. Hart responded that as of June 30th, staff is projecting approximately \$7M above our 8% reserve requirement, based on the debt currently outstanding, plus what we anticipate to be issued in new debt by the end of this fiscal year. By November, it would be higher.

Vice Mayor Hutson wondered what will happen to the excess money.

Mayor Hallman asked Mr. Hart if his calculation of the bonding authority as a source of funds includes using the secondary property tax currently being collected that we can't spend.

Mr. Hart agreed. Assuming the Council decides to go forward with a bond election this November, the excess that is there right now helps when we look at the five-year period to maintain the 8% minimum coverage ratio. Mayor Hallman clarified that the 8% minimum coverage ratio is based on an average and there will be some years where we have significantly more than the 8%.

Mr. Hart agreed.

Mayor Hallman asked if we could schedule our cash use so that we can always have exactly 8% by using the cash that we have from the Rio East, for example, to smooth out that amount.

Mr. Hart agreed that would be an option.

Mayor Hallman stated that we could end up scheduling our flows so that we keep our ratio right at 8% and we wouldn't end up with excess or too little. There are several things on this list that he believes should be funded outside of a secondary property tax. Although he has asked for secondary and primary property tax increases in valuation, he has not been able to get the more recent numbers he had hoped to get to refine this. The 2009 valuations have been set by the County and the appeal period is still available, so some people may appeal and reduce their 2009 valuation. By adding all of that together, the actual average increase in residential valuation has gone up more than 75% in 5 years.

Mr. Hart added that the appeal period ends in December.

Mayor Hallman continued that is even with an average reduction rate in that 2009 year of 8%. Looking at the residential property tax, even with an 8% average reduction, it is an increase of 75.78% in total valuation. The average taxpayer probably has a little less than that. That is a significant increase in property tax. He has been looking for ways to protect residents from this stealth tax increase to some degree. In this year's budget, he highlighted the following:

- We have \$1.4M in Rio West proceeds that have not yet been spent and that appear to be sitting in either funds in small amounts, plus the amount in the Town Lake Boathouse and Plaza Bridges project.
- We have capital reserves of \$4.5M currently (not property tax reserves, but money that comes from things like the sale of the Rio East property, etc.).
- From staff's calculations, we are left with \$12.8 and \$7.7M in resources over and above what is necessary for this current capital plan.
- The things we ought not to be funding in this current CIP are the dam replacement for \$7M, the Rio East Park for \$5M, and Rio Salado ancillary projects for \$500K.
- He considered the Fire Support Services Facility project at \$8.8M, but he can leave that aside, and that generates \$37M in projects that ought to be delayed, especially given the economic times, and uses of sources of money somewhat differently.
- Mr. Hart mentioned that in the 2009 valuation, there was a 15% increase in property valuations for that year, but he has assumed only a 10% increase will actually be held, not because appeals will reduce the amount, but because in our past years we have had an average increase of 10%. It's not looking at how much that increase has been reduced by the appeals, but instead just saying on average we have had a 10% increase each year, so we will assume 10% for 2009.
- Adding that 5% increase into the available resources would generate a 7-cent reduction in property tax rate in money that we didn't even know we currently had because of the assumptions made.
- Adding together the sources of reducing expenditures, redeploying cash, and acknowledging the likely projection of 10%, when the actual increase already estimated by the County, between the two, we would get 16.5 cents in opportunity to reduce the rate from \$1.40 to \$1.235.

Mayor Hallman continued that \$1.40, however, has been proposed. Council would like staff to come back with proposals for the bond election based on \$1.40 and the items identified for capital expenditures.

CONSENSUS

Prepare CIP with additional items assuming a \$1.40 tax rate for discussion of a bond election at the May 1st Issue Review Session.

Follow-up Responsibility: Jerry Hart

Formal Council Agenda Items

None.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 7:40 p.m.

Jan Hort
City Clerk